

FISCAL MEMORANDUM

SB 1391 – HB 1433

April 10, 2007

SUMMARY OF AMENDMENT (004884, 005879): Authorizes Davidson County to enact an ordinance imposing an additional 1% increase in the hotel/motel tax. Changes the allocation of the existing hotel/motel tax in Davidson County and makes provisions for the allocation of certain tax revenue in a secondary tourism development zone within the county if such zone is created. Authorizes the Metropolitan Council, prior to adoption of the additional 1% hotel/motel tax increase authorized by this bill, to allocate 2% of the existing hotel/motel tax generated within a secondary tourism development zone to the general fund if certain tax revenue growth measures are attained.

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Govt. Revenues - \$4,000,000/Permissive
Increase Local Govt. Expenditures – Not Significant/Permissive

Forgone State Revenue – Exceeds \$5,000,000

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase Local Govt. Revenues – Exceeds \$9,000,000/Permissive
Increase Local Govt. Expenditures – Not Significant/Permissive

Forgone State Revenue – Exceeds \$5,000,000

Other Fiscal Impact – There will be a shift in the way current and new hotel/motel tax revenues are earmarked if the 1% increase in the hotel/motel tax is approved in Davidson County. The bill provides for:

- 1/3 earmarked for the direct promotion of tourism – approximately \$8,000,000**
- 1/3 earmarked for modification, construction, financing and operation of a convention center – approximately \$8,000,000**
- 1/6 for tourist related activities – approximately \$4,000,000**
- 1/6 for the general fund – approximately \$4,000,000**

If a secondary tourism development zone is created in Davidson County, the following allocation of the additional 1% increase in the hotel/motel tax will occur:

All of the proceeds of the 1% increase (approximately \$4,000,000) will be dedicated to the general fund.

If such zone is not created, such funds will be allocated according to the 1/3, 1/3, 1/6, 1/6 formula outlined above.

If such a zone is created, up to half of the proceeds of 4% of the existing tax revenue that is generated within the tourism development zone will be allocated to the general fund if certain revenue thresholds are met.

If such a zone is created in Davidson County, all of the sales and use tax generated within the zone which is in excess of base revenues will be apportioned to the general fund. This is estimated to result in foregone revenues to the state of approximately \$5,000,000 with a corresponding increase in local government revenues.

If the Metropolitan Council in Davidson County chooses, prior to the adoption of an additional 1% increase in the hotel/motel tax, to adopt an authorizing ordinance, 2% of the current hotel/motel tax revenue generated in a secondary tourism development zone will be allocated to the metropolitan general fund. The amount of such shift will depend upon the ability of such zone to meet certain benchmarks relative to the growth of tax revenues within the zone; however, such shift can reasonably be estimated to exceed \$100,000.

Assumptions applied to amendment:

- Davidson County hotel/motel tax collections are approximately \$20,000,000 annually.
- Currently, a 5% hotel/motel tax in Davidson County.
- The provisions of the bill apply only to Davidson County.
- An increase in local government expenditures due to the administrative cost of implementing the provisions of the bill. Such increase is estimated to be not significant.
- No fiscal impact to the county for the authorizing actions required by the Metropolitan Council.

- There is estimated to be foregone state revenue and a corresponding increase in local government revenue in excess of \$5,000,000 due to the allocation by section 13 of the amendment of sales and use taxes derived from sales within a secondary tourist development zone (if such zone is created) that would be earmarked to the municipal general fund.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly distinguishable.

James W. White, Executive Director

/ce